

**SOUTHERN CALIFORNIA EDISON COMPANY'S RESPONSE TO POLICY  
STATEMENT ON VOLUNTARY EARLY ACTIONS TO REDUCE GREENHOUSE  
GAS EMISSIONS**

Pursuant to the instructions contained in the “Policy Statement on Voluntary Early Actions to Reduce Greenhouse Gas Emission,” released February 6, 2008 (“Draft Statement”), Southern California Edison Company (“SCE”) provides comments to the California Air Resources Board (“CARB”) encouraging the revision of the Draft Statement to include additional language supportive of parties’ efforts to quickly begin work on voluntary early actions (“VEA”) that will be certifiable under Assembly Bill 32 (“AB 32”).

As the staff notes, AB 32 requires CARB to adopt regulations which quantify and give credit to “entities that have voluntarily reduced their greenhouse gas emissions prior to the implementation of this section.” Additionally, the staff notes that AB 32 directs CARB to design regulations that encourage early action to reduce greenhouse gas emissions. Despite these provisions and the Legislature’s clear intent to encourage VEA, the Draft Statement correctly observes that uncertainty about how AB 32 will be implemented has made some companies reluctant to take voluntary actions to reduce their emissions. “The fear is that the program could penalize companies that have reduced emissions before the program is put into place,” notes the Draft Statement. Accordingly, the Draft Statement “emphasize[s] that to the extent possible this will not be allowed to happen.”

SCE commends the staff for the Draft Statement’s acknowledgement of AB 32’s specific terms and of the uncertainty currently surrounding VEA regulation. However, SCE encourages CARB to adopt a Draft Statement that goes beyond what is currently proposed. Specifically, SCE urges CARB to revise the Draft Statement to provide that VEA that meet criteria that may be adopted in the future are *prima facie* evidence that a VEA provides greenhouse gas (“GHG”) reductions that are “real, permanent, verifiable and enforceable” and that the VEA should therefore be certified.

As CARB is aware, AB 32 already authorizes it to adopt methodologies for the GHG quantification:

The state board shall adopt methodologies for the quantification of voluntary greenhouse gas emission reductions. The state board shall adopt regulations to verify and enforce any voluntary

greenhouse gas emission reductions that are authorized by the state board for use to comply with greenhouse gas emission limits established by the state board. The adoption of methodologies is exempt from the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

This section of AB 32 should provide CARB with a path for encouraging VEA use now. Under the auspices of this statutory provision, CARB should revise the Draft Statement to provide that, pursuant to AB 32, CARB intends to quickly adopt and implement methodologies for the quantification of VEA for use in compliance with AB 32. CARB should continue by saying that VEA that meet its adopted quantification metrics will, on their face, be evidence of “real, permanent, verifiable and enforceable” GHG reductions and thus are likely to be certified.

SCE envisions a multi-step process by which CARB can use the aforementioned policy statement to encourage VEA. First, upon adoption of the VEA Policy Statement, CARB should solicit suggestions for VEA quantification methodologies. Second, upon review of these comments, CARB should move to adopt a quantification methodology that establishes the baseline threshold that a proposed VEA must meet to, on its face, be evidence that a proposed reduction is real, permanent, verifiable and enforceable.

By announcing its intention to, and then quickly adopting a quantification/certification methodology, CARB will declare its intention to grant “compliance credit” to approved and certified applications at the time it adopts final rules to implement AB 32. While such a statement now does not guarantee that VEA actors will get compliance credit, it is consistent with the aforementioned statute, which acknowledges that CARB will grant VEA credit to certified projects in its final rules.

Speedy adoption of quantification/certification methodologies will encourage investment in VEA now. Although CARB will not be granting a guarantee that VEA will be certified, the mere recognition that projects that meet the approved quantification standard will likely reduce GHG will afford project proponents a sufficient level of certainty to allow them to seek

regulatory and financial support for their projects. Without such assurances, SCE believes it unlikely that significant and meaningful VEA projects can go forward.

Accordingly, SCE recommends that CARB move quickly to encourage VEA projects by adopting methodologies as allowed by AB 32. While SCE anticipates participating in any public process to develop the quantification and certification metrics to be applied to VEA, it notes that such metrics must assure a reasonable level of certainty that VEA projects will be “real, permanent, verifiable and enforceable.” In developing such metrics CARB must also balance the risk of approving some projects that may not meet the more detailed provisions that can be anticipated in CARB’s final implementation of rule against the risk that creating provisions that are overly complex and burdensome at this early stage will discourage VEA actors from taking project risk.

Although SCE recognizes that striking the appropriate balance between these tensions is within CARB’s discretion, SCE notes that by limiting barriers to VEA projects, CARB will encourage Californians to develop innovative ways of reducing GHG, get real experience with the actual cost of reducing GHG, and illustrate how projects can further the global objective of addressing global warming while meeting state goals of improved environmental conditions and quality of life for its citizens. Further, CARB will gain valuable real world experience from which to draw lessons that will aid it in designing final implementation rules. SCE believes these results are what the framers of AB 32 intended by including provisions to encourage voluntary early reduction actions.